

**MINUTES OF A REGULAR MEETING OF THE
VINEYARD REDEVELOPMENT AGENCY BOARD
April 13, 2016 - 8:10PM**

Present:

Chair Randy Farnworth
Boardmember Tyce Flake
Boardmember Julie Fullmer
Boardmember Dale Goodman
Boardmember Nate Riley

Absent:

Staff Present: Public Works Director/Engineer Don Overson, Town Planner Aric Jensen, Finance Director Jacob McHargue, Utah County Sheriff's Deputy Collin Gordon, Town Clerk/Recorder Pamela Spencer, Town Building Official George Reid.

Others Present: Gerald Anderson, Mike Hutchings, and Jeff Walker with Anderson Development.

The Vineyard Town Redevelopment Agency (RDA) held a board meeting on April 13, 2016 starting at 8:10 PM in the Vineyard Town hall.

Regular Session - The meeting was called to order at 8:10 PM.

Consent Agenda –

a) Approval of minutes for March 23, 2016 RDA meeting.

Chair Farnworth called for a motion.

Motion: BOARDMEMBER RILEY MOVED TO APPROVE THE CONSET ITEM. BOARDMEMBER FLAKE SECONDED THE MOTION. ALL WERE IN FAVOR. MOTION CARRIED UNANIMOUSLY.

BUSINESS ITEMS:

2.1 DISCUSSION AND ACTION – Refunding of the 2013 Series Bonds

Finance Director Jacob McHargue will discuss refunding options for the 2013 Series Bonds. The RDA Board will take appropriate action.

Chair Farnworth turned the time over to Finance Director Jacob McHargue.

Mr. McHargue explained that he had been working with Lewis Young Robertson & Burningham (Lewis Young) on the RDA. He mentioned that they had talked about sending the bonds back into the markets. He stated that the interest rates had gone down since they were issued and that the town's payment history was in good standing. He explained that if they sent the bonds back out they would be asking the bond buyers to trust that Rocky Mountain Power would pay their

property taxes. He said that there was an analysis that showed that the net present value of cash flow savings would be about \$652,000.00. He said that it was based on an interest rate of 3.15 with an annual savings of \$100,000.00. He mentioned that the estimates were based on the town not having a reserve fund requirement. He stated that there was a cost associated with doing this, which was rolled into the savings along with the arbitrage that would be due in November. He said that they would put the principal and interest amount into escrow. He said that the net savings would be about \$653,055.00 which would free up some tax increment.

Boardmember Riley asked if it was worth it to go out for a full RFP. Mr. McHargue mentioned that he had two (2) conversations; one with George K Baum Group and one with Zions Bank. He stated that under the contract they had with Lewis Young they did not have to send out an RFP. He said that most of the payments associated with bonds go to Ballard Spahr who issued the bonds, not the financial advisors. Boardmember Riley asked if there was an estimated cost. Mr. McHargue replied that he had not gotten that far in any of the conversations. He suggested that the quickest way would be to get RFPs. He said that Lewis Young had a lot of background on the housing study and it would cost about \$16,000.00.

Mike Hutchings with Anderson Development asked what the length of the bond was. Mr. McHargue replied that the bond goes until 2031 and new bonds would go until May 1, 2033. Mr. Hutchings asked what the face amount of the bonds was. Mr. McHargue replied that they were \$15,430,000.00 assuming they did not have to have a reserve fund. Mr. Hutchings asked what the Ballard Spahr fee was. Mr. McHargue thought it was around \$140,000.00. The Board discussed the administrative costs of issuing the bonds.

Boardmember Riley asked for it to go out for an RFP.

Mr. Hutchings asked if there had been any discussion about lengthening the term of the bond, repricing it and borrowing more money. Mr. McHargue replied that there had not been any discussions. Mr. Hutchings stated that this may free up some money for upcoming projects. Mr. McHargue agreed.

Boardmember Riley suggested that they have Mr. McHargue gather additional information and options. The Board agreed.

2.2 DISCUSSION AND ACTION – Housing Study Plan

The RDA Board will discuss and possibly act to approve Lewis Young Robertson & Burningham to move forward with a Housing Study Plan.

Chair Farnworth turned the time over to Finance Director Jacob McHargue.

Mr. McHargue explained that the current housing plan was very basic and that Lewis Young wanted to put together a housing study. He said that he sent them information with the types of housing, the amount of each type, and their property values according to the county. He said that the Housing Board would look at income data from the surrounding area and how much housing was available for a target range of income. He stated that based on that information there was a potential to get a housing waiver from the Olene Walker Housing Fund. He said that it would free up the stipulation in the RDA that required them to put 20 percent into the housing fund each year and free up the money for other RDA projects. He mentioned that currently all of the

housing money had to be spent to benefit low income housing. He suggested that if the money was taken out of the housing fund it would be less restrictive. He mentioned that there was new legislation that allowed the housing money to be used on remediation.

Boardmember Riley asked if they could not proceed until they had the study done. Mr.

McHargue replied that the housing study would encompass the waiver. He added that the whole plan would include that request.

Chair Farnworth asked if they were attempting to free up the money to put it back into the General Fund in the RDA. Mr. McHargue replied that with the legislation it would be less restrictive, but with the waiver all of the restrictions would go away. He gave an example that they could use some of the money in the housing fund for the water tank project, which would benefit 75 percent of the low income housing, but if they were general RDA funds they could use all the money. Chair Farnworth mentioned that the water tank had to be done by a certain date and they were trying to come up with money they could use. Mr. McHargue stated that now was the time to do the study. He added that they were set up to meet the requirements.

Chair Farnworth explained that the more homes built the more the percentage goes down.

Mr. Hutchings commented on a reference to the SB 151. He said that the board could go through the housing study, then the Taxing Entity Committee (TEC) and ask them to determine if the town did not need the full 20 percent for affordable housing. He felt they did not have a lot of low income housing in the community and that the study would show they would needed the low income housing built. He said that the provision in the law did not require the RDA Board to go to the TEC or to do anything other than look at the cost of remediation to determine if it exceeded 20 percent of the project area funds under the urban renewal project area budget. He stated that the town could make that decision and use the 20 percent for a new purpose.

Chair Farnworth wanted to look at the study.

Mr. Hutchings suggested that the Board consider if they would like to use the funds for remediation or use it for housing. He wanted to know if they wanted to go through the process to get the waiver and ask the TEC for a reduction in the housing funds.

Chair Farnworth felt that if they opened up the committee it could open up the RDA for a long discussion.

Boardmember Riley asked if there was a way of going through the waiver process without going through the TEC committee. He asked if they could reduce the percentage and use the funds on other RDA projects. He also asked if it was a requirement to spend the money if they received the waiver.

Chair Farnworth felt that they needed to study the three (3) aspects and find out which one would save them the most money. He mentioned that they went after the RDA so that if something went south they would have money to clean up the land. Mr. McHargue stated that the new money would not come into effect until January. He explained that if they applied for and received the waiver it would only effect new money.

Mr. Hutchings stated that with the new legislation they could use the money already in the fund for environmental remediation now.

Gerald Anderson with Anderson Development commented that when they ask the TEC to reduce it that it could be for only 15 percent. He said it seemed to him that if they asked for the

reduction and then chose not to pay any because of the other option available, they were committed to what the TEC agreed to.

Boardmember Goodman mentioned that if they did not have any targeted income housing in the community then they needed to use the money for the housing. Boardmember Riley asked if some of the WatersEdge housing would qualify as targeted housing. Mr. McHargue explained that they look at the closest area and take 80 percent of the median income to make the targeted amount. He said that only 40 percent of that income qualifies for housing. He added that if they take the Counties median income 73 percent qualified. He stated that the housing study would give them actual numbers. Mr. Anderson said that he had never seen where the single family housing qualified.

Chair Farnworth felt that they needed more information.

Boardmember Riley suggested that they needed to see if the RDA would meet the requirements, get the waiver, and see if they needed to have TEC approval to spend the money. Mr. Hutchings stated that the TEC would be the one to approve the waiver. Mr. McHargue said that they could spend the money on approved projects. Mr. Hutchings explained that the waiver would be so they could spend less than 20 percent on affordable housing projects.

Boardmember Riley clarified that they did not have to ask for the waiver if they had projects that allowed them to spend the money, if they met the numbers. Mr. Anderson stated that the water tank did not meet the qualifications and that there was no affordable housing in the town.

Boardmember Fullmer asked if they got the waiver, and they allowed 13 percent to be put into the housing fund, would they be allowed them to use that money for remediation. Mr. McHargue replied that the 13 percent could be used on remediation.

Jeff Walker with Anderson Development said that if they thought that the remediation cost would be more than 20 percent then they could use the housing funds and free up the rest of the RDA money for other projects. He stated that the RDA was created for the primary purpose of remediation. He said using the 20 percent housing money would free up the other 80 percent that has fewer restrictions. He felt that the process to get around the Olene walker had been circumvented with the new legislation. He stated that it would be a budgeting reason to go one way or the other.

Boardmember Riley wanted to get the numbers and see where they were at. He said that he looked at the median income in Utah County from the internet and it was at \$59,770.00. Mr. McHargue stated the tax records showed \$67,000.00. He said you take 80 percent of that number and then 40 percent of that, divided by twelve to get the low income figure. It was mentioned that the Alloy apartments' rent started at \$1,000 a month for a one bedroom.

Boardmember Riley felt that they needed to do the study.

ITEMS REQUESTED FOR NEXT AGENDA

Chair Farnworth asked for future agenda items.

Mr. Hutchings explained that they were asking the board to go ahead and take the 20 percent housing money and use it over the life of the RDA for remediation purposes. He mentioned that was why the RDA was created and that there needed to be an infusion of public money to help clean up the site. He said that without public money there would not be a complete cleanup of the site.

Boardmember Riley clarified from his perspective that it was not to clean it up from the dirty waste land to something sellable. He said it was for betterment, that the landowner had the obligation to clean up the site, and as the board saw fit to spend the additional money for better cleanup of the site. It was not to remove the burden of clean up. Chair Farnworth understood that US Steel and Anderson had an obligation. Mr. Anderson said that Anderson Development made the application to have the RDA formed not the town. He added that they submitted a budget which showed that approximate one-third of the proceeds to go to environmental cleanup, one-third to infrastructure and one-third for incentives. He said that in 2009 and 2010 the Board changed what had been approved.

Boardmember Riley said that if he needed to open up the TEC committee and ask them about the remediation money and how it was being spent, that they would be on the board's side not the developers. He felt that they had been consistent with spending.

Mr. Hutchings explained that the plan was adopted and then amended, but there would not be an RDA if there were not environmental needs on the property. He said that it was estimated that there would be about \$100 to \$300 million in expenses associated with the remediation. He stated that they were never asked to sign anything in agreement of the plan. He mentioned that they had spent \$13 million to clean up about half of the property and that they anticipated about \$102 million in additional expenses were needed to clean up the remainder of the property. He handed out a document that showed the property and their estimated expenses for cleaning up the property. He stated that their portion was \$102 million of what would be required to clean up the property and that they had spent about 13 percent. He said that they were at the point where they would like to move forward and clean up the more problematic pieces of the property. He that US Steel's portion of the cleanup was \$76 million, that they had set aside \$63 million and that Andersons were in negotiations with them. He felt that in order to negotiated with US Steel they needed to know where they were with environmental reimbursements and the funding of the expenses. He said that one way was for the RDA to use their cash that was available; another way would be to use cash from the landowners or use cash from future land sales. He felt that it was not too much to ask for reimbursement for the cash they had spent, with interest over the life of the RDA. He mentioned that they could take their cash and spend it on other projects and that the town could not require them to use their cash to clean up the property. He added that US Steel , who was not motivated, was the only one that could require them to use their funds. He asked what they needed do to get the cash to get the work done. His suggestions were: one (1) use cash from the RDA, two (2) use cash from the developers or three (3) bonding against tax increment that would be coming in. He gave an example of the housing fund as a stream of income. He said the fourth (4th) method would be to put the debt on their property, use the proceeds for the environmental cleanup, and then use tax increments to pay it back. He suggested that they were not willing to use their cash until they were sure they would be reimbursed or they would put a fence around it and wait until the town used their RDA money to clean it up. He stated that they were willing to negotiate with the Board to get the cleanup done sooner than later. He mentioned that if they needed to they could do it over a 10 to 20 year period of time, but that was not what they preferred. He explained that with the properties that needed to be

cleaned up they would not be getting enough money out of the land sales to justify the expenditure. He said that they were talking about the sites that had the biggest problems and the cost would be significant. He mentioned that the CAMU would cost \$75 million and \$25 million of that needed to come from Anderson and \$50 million needed to come from US Steel.

He stated that they were not incentivized to make money and wanted to get the cleanup done. He said that they were willing to make the investment by putting in cash and work with the board to accomplish this goal. He stated that the chart he handed out showed the tasks that still needed to be done and asked the board to prioritize them. He gave an example of using money for the remediation of the west side Town Center property and that they would need \$4 to \$5 million to clean it up. He mentioned that with the future value of the property it would be a wise expenditure of money right now.

Chair Farnworth felt that the board had acted in good faith in the enhancement property that Anderson had been able to sell. He stated that there was not enough money allotted to bring the property to a pristine level. His opinion was that the tax increment was the tax payers money they using. He felt it was not theirs to us however they wanted to, that the budget was allocated to be spent in a certain way, and that they needed to look at the complete picture. He said that if Mr. Walker felt it was the least route of resistance, then it might be a good way to proceed, but they needed to look at the numbers. Mr. Hutchings said that when it was cleaned up it would be to an industrial standard not a residential standard. He mentioned that the haul off costs for some of the materials were greater than leaving the material housed in a CAMU. He said that Anderson perceived that as time moved on there would be more pressure to haul it off rather than put it in a CAMU and that the tipping fees would be very high. He felt that it was prudent to move forward now.

Chair Farnworth expressed concern with commitments already made, such as the water tank. He said that it not only affected the town it would affect the value of the property as well.

Mr. Anderson stated that no one else had come with more money year after year than Anderson Development. He said that they asked a couple of years ago for the town to apply for TIGER grants, that they turned them down and now the town was talking about apply for them. He mentioned that the State said they could not believe that the town had not yet asked for money. He said that Anderson had been to the legislature and that UDOT had spent over \$16 million in Vineyard. Chair Farnworth noted that it was not money out of Anderson's pocket, it was time and effort, but it was the tax payers' money. He said that he was thankful that Anderson's took the risk, but they would not be where they were because the board had the stewardship. He said that it must be frustrating for them that another group was controlling the money that they went after. Mr. Hutchings replied that it was the system and felt that it was working pretty well. He said that they believed in acting in good faith and that nothing they had done was in bad faith. He felt that the decisions had been good decisions to this point. He mentioned that Anderson arranged for the water and that the benefit had been apparent. He said that the property would not be cleaned up without the boards help and that the purpose of the RDA was to fund the remediation. He gave a background as to why the site was contaminated and if nothing were to be done it would continue to have problems in the future.

Mr. Hutchings felt that everyone in Utah wanted the clean up to be completed. Boardmember Riley commented that he was criticized by someone from Saratoga Springs about the use of tax

payer money for the cleanup of the Geneva site. He said that they were strongly opposed it, including the person running against Governor Herbert.

Mr. Hutchings admitted that he overstated it and agreed that there were people that did not want the site cleaned up. He said that he was certain that a majority of people would want it cleaned up. Boardmember Goodman felt that it was a fair statement that people would want it cleaned up, but not want to pay to clean it up because they did not make the mess.

Mr. Anderson stated there were people against the RDA and that without the RDA, Vineyard would be a part of Orem.

Chair Farnworth stated that if they wanted to stay as a separate identity they needed the RDA and would not have gotten the power plants if the ground had not been zoned the way it had. He felt that they needed more time to go over the numbers, etc.

Mr. Hutchings stated that as they cleaned it, they would generate more development, which would generate more taxes during the RDA period.

ADJOURNMENT

Chair Farnworth called for a motion to adjourn.

Motion: BOARDMEMBER FLAKE MOVED TO ADJOURN THE MEETING AT 9:24 PM. BOARDMEMBER RILEY SECONDED THE MOTION. ALL WERE IN FAVOR. MOTION CARRIED UNANIMOUSLY.

RDA meetings are held as needed.

MINUTES APPROVED ON: May 11, 2016

CERTIFIED CORRECT BY: /s/ Pamela Spencer
P. SPENCER, TOWN CLERK/RECORDER